



# Judicial Council of California

## Administrative Office of the Courts

Trial Court Financial Policies and Procedures

Procedure No.  
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# **BANK ACCOUNTS**

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## Bank Accounts

### 1.0 Purpose

The purpose of this policy is to establish the conditions and operational controls under which the trial court may open bank accounts and maintain funds outside of the county treasury.

### 2.0 Policy Statement

With the prior approval of the Judicial Council, the trial court may establish the Trial Court Operations Fund outside of the county treasury. The trial court may maintain bank accounts for this purpose and may deposit and disburse funds under the conditions prescribed in this manual. The trial court shall implement the procedures and controls described below to manage and safeguard court funds.

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## 4.0 Application

This policy applies to all trial court officials and employees who are responsible for the receipt, deposit, control, and disbursement of funds used to conduct trial court operations.

## 5.0 Definitions

1. **Bank Account.** Any checking, savings, money market or other account established with an approved financial institution to allow for the deposit and withdrawal funds to facilitate trial court operations.

## 6.0 Text

### 6.1 Authority for Trial Courts to Establish Bank Accounts

1. Government Code Section 77009 (j) provides that “the Judicial Council may establish trial court operations funds separate from the county treasury...and may require the courts to include any or all money under the control of the court in the funds.”
2. In addition, Section 1463.1 of the Penal Code states that “any trial court may elect, with the prior approval of the Administrative Director of the Courts, to deposit in a bank account pursuant to Section 53679 of the Government Code, all moneys deposited as bail with the court, or with the clerk thereof.” The Judicial Council is authorized to regulate the bank accounts provided it does so in a manner that is consistent with any procedures established by the State Controller for proper and uniform accounting of all moneys that are received and disbursed through the accounts.

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## 6.2 Opening Bank Accounts

1. The Judicial Council must give its approval before the trial court may open any bank account. Trial court requests to open bank accounts must be made in writing and be signed by **both** the Presiding Judge and Court Executive Officer. Requests to open bank accounts must be sent to the AOC Manager of Fiscal Services and include the following information:
  - a. The justification and purpose for opening the account.
  - b. The name and location of the proposed financial institution.
  - c. The type of account to be opened, the amount to be deposited and the interest rate to be received.
  - d. The official designation of the account (e.g., Superior Court of California, County of \_\_\_\_\_, Operations Account).
  - e. Whether the funds to be deposited in the account will be insured by the Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Insurance Corporation (FSLIC).
  - f. An explicit statement that opening the bank account will not create a conflict of interest for any judge, court officer or any other court employee (see Procedure No. FIN 1.03 – Code of Ethics, section 6.3).
  - g. A statement on the bank’s letterhead indicating its capitalization status. Only banks that are “well capitalized” as defined by federal statute and that have received an “unqualified” opinion on their most current financial statement from an independent auditor will be acceptable to the Judicial Council.
  - h. A statement on the bank’s letterhead indicating that money deposited by the trial court will be collateralized in conformance with Government Code requirements.<sup>2</sup>

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<sup>2</sup> Government Code 16520 –16522 for banks, Government Code 16610 – 16612 for savings and loan associations.

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2. The AOC Manager of Fiscal Services will promptly review all trial court requests to open bank accounts and make a recommendation for acceptance or rejection of the court's request to the Judicial Council or the Administrative Director of the Courts. The Judicial Council or Administrative Director of the Courts may request additional information or may confer with trial court officials prior to issuing a decision. The trial court will receive written notice of the acceptance or rejection of its request from the Administrative Director within 60 days.
3. The trial court receives money in the form of bail, litigation deposits, jury fee deposits, payments on judgments, etc. that it must hold in trust and for which it has a fiduciary responsibility. A detailed record must be kept for all trust money received by the trial court. The record must be maintained at a sufficient level of detail to properly account for all funds by trustor. Records must contain a certain amount of information that at a minimum includes:
  - a. Date received.
  - b. From whom received.
  - c. Purpose.
  - d. Case number.
  - e. Payments received.
  - f. Disbursements made.

Procedure FIN 3.01 – Fund Accounting provides more information on the trust and agency funds.

### **6.3 Deposits**

1. The trial court will maintain the security of funds while they are in transit to the bank and shall assure that deposits are made safely and economically.

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2. Deposits made by the Judicial Council to the Trial Court Operations Fund shall be made by electronic funds transfer.
3. Trial court employees may deliver deposits to the bank only if this practice does not subject them to the risk of robbery or otherwise compromise their safety. In general, trial court employees should only deliver bank deposits personally when no other practical and economical method is available. Trial court employees should make deposits at the merchant's window during normal banking hours or the night depository after normal banking hours.
4. For security and safety reasons, trial courts must establish written procedures for the deposit of coin and currency. The written procedures must be maintained in a file and include a dollar limit on deposits that may be made by a single employee.<sup>3</sup> Amounts to be deposited that exceed the established dollar limit must be:
  - a. Deposited jointly by two employees.
  - b. Divided into two or more smaller deposits.
  - c. Deposited by a method other than delivery by a trial court employee.
5. The trial court may arrange for deposits to be made through the use of bank messengers, if that service is available. Deposits will be placed in sealed bags and will be receipted by the bank messenger when the deposit is picked up. The receipt shall be used to verify the deposit. **Note: Bank messengers do not pick up deposits that include coins or currency.**
6. If large amounts of currency and coins must be deposited, or when employee safety or the risk of robbery are concerns, the trial court

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<sup>3</sup> State Administrative Manual, Section 8032.4 requires that deposits of coin and currency greater than \$3,000 be made by two employees.

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may use armored car service to make deposits. The court must enter into a contract with an armored car service provider according to the requirements of Procedures FIN 6.01 – Procurement, and FIN 7.01 – Contracts before using this method of deposit.

7. If the distance between the trial court and the bank prevents the timely deposit of funds, deposits may be made by certified or registered mail using cashier's checks or money orders. If this method is used, the cost of purchasing cashier's checks or money orders shall not be deducted from the deposit, but shall be paid from revolving funds or cash purchase funds.
8. An employee other than the person who prepares the deposit (preferably a supervisor) shall verify, sign, and date that receipts have been deposited intact.

### **6.3.1 Endorsement Requirements**

1. The trial court shall endorse all checks, warrants, money orders, and other negotiable instruments as soon as they are received to discourage the use of lost or stolen negotiable instruments by others. Endorsements shall contain the following information:
  - a. The name of the bank and branch number in which the deposit shall be made.
  - b. A statement reading "For deposit only" followed by the name of the trial court.
  - c. The account name and number.
2. Existing endorsement stamps do not need to be replaced. However, new endorsement stamps must include the information described above.

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## 6.4 Withdrawals

1. Trial court disbursements shall be made by check or electronic transfer. The exception is petty cash disbursements, which must be supported by proper vouchers.
2. The Court Executive Officer shall designate those individuals who are authorized to sign checks for the trial court. The Court Fiscal Officer shall keep a current list on file of the employees who are authorized to sign checks including:
  - a. The name of each employee authorized to sign checks.
  - b. The types of payments the employee is authorized to sign checks for (e.g., payroll, procurement, etc.).
  - c. The dollar limits of each employee's authorization.
  - d. An example of the employee's signature.
3. Checks shall not be made out to "cash" and the signing of blank checks is prohibited.
4. All checks that exceed \$15,000 shall require two authorized signatures unless they are made payable to the State Treasurer or another state agency.<sup>4</sup> The trial court may establish more restrictive signature requirements at its discretion.
5. All checks issued by the trial court shall be recorded in a check register that includes the following information:
  - a. The check number.
  - b. The date the check is issued.
  - c. The name of the party to whom the check is issued.
  - d. The amount of the check.

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<sup>4</sup> State Administrative Manual, Section 8001.2.



6. The trial court shall keep its working check stock under locked control. The trial court's long-term check stock shall be kept under locked control separate from the working check stock. Receipt of long-term check stock must be receipted, verified and recorded under dual control on the check stock register. Transfers of long-term check stock to working check stock shall be documented by the signatures of two authorized trial court employees in the check stock register. The following information shall be recorded:
  - a. The date and time of the transfer.
  - b. The numbers of the checks being transferred (i.e., from check no. \_\_\_\_ to check no. \_\_\_\_).
  - c. The name of the person removing the checks from long-term check stock.
  - d. The name of the person taking possession of the transferred checks.
  - e. The signatures of the employees making the transfer.
7. Voided checks shall be clearly marked "void" across their faces and retained for audit purposes. All voided checks shall also have their signature blocks cut off or blocked out, unless they are voided for specimen purposes. The disposition of specimen checks shall be documented in trial court files by an employee who is not authorized to sign checks.
8. If blank check stock is determined to be missing, the trial court shall notify the bank of the missing check numbers, the account number, and the date the checks were discovered to be missing. If the trial court believes the checks to be stolen, local law enforcement officials and the AOC Manager of Internal Audit should be notified.

## **6.5 Bank Account Reconciliation**

1. The trial court shall reconcile all bank accounts at least monthly, and more frequently if required to maintain adequate control over trial court funds.
2. The person who reviews the court's monthly bank reconciliation cannot also approve it. The monthly bank reconciliation shall be signed and dated by both the person who prepared it and the person who reviewed it.
3. The trial court shall send one copy of its fiscal year end (June 30) bank reconciliation to the AOC Fiscal Services Manager by no later than July 31 each year.

## **6.6 Overdrafts**

1. Government Code 77206.1 provides that responsible trial court officials may not authorize expenditures in excess of the budget authorized by the Judicial Council. The Judicial Council may appoint a person or entity to manage trial court expenditures in the event the court is unable to manage its finances responsibly.
2. The trial court shall take all appropriate measures to assure that sufficient funds are available in its bank accounts to cover its disbursements. Overdrafts of trial court bank accounts are not permitted.

## **6.7 Maximizing Interest Earned**

The state is vitally concerned with maximizing the interest earned on funds deposited in bank accounts. Every dollar earned reduces the need to raise money through taxes and other means. In general,

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interest earnings can be maximized through the earliest possible deposit of receipts and the latest possible disbursement of funds. However, the trial court should exercise business judgment to obtain the highest net return on its funds (e.g., by taking prompt payment discounts when appropriate).

## **6.8 Segregation of Duties**

Trial court executives and managers are responsible for establishing and maintaining a system of internal controls as outlined throughout this manual. Appropriate segregation of the duties assigned to court employees is a key element to this system. For tasks associated with bank accounts, the same person should not perform more than one of the following types of duties:

- a. Receiving and depositing remittances.
- b. Inputting receipts information.
- c. Authorizing disbursements.<sup>1</sup>
- d. Controlling check stock.
- e. Preparing checks.
- f. Operating a check-signing machine.
- g. Signing checks or comparing machine-signed checks with authorizations and supporting documents.
- h. Reconciling bank accounts and posting the general ledger or any subsidiary ledger affected by cash transactions, and/or reconciling system input to output.

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<sup>1</sup> In computerized systems, initiation, approval, and the input of disbursement information to the system should be performed by different people.

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## 6.9 Closing Bank Accounts

1. The trial court shall maintain the minimum number of bank accounts necessary for efficient court operations. The court shall periodically review its continuing need for the Judicial Council-approved bank accounts it has established. With Judicial Council approval, the court shall close any bank accounts that are no longer necessary for conducting trial court operations.
2. Trial court requests to close bank accounts must be made in writing and be signed by **both** the Presiding Judge and Court Executive Officer. Requests to close bank accounts must be sent to the AOC Manager of Fiscal Services and include the following information:
  - a. The account number and name.
  - b. The name and location of the financial institution.
  - c. The justification and purpose for closing the account.
  - d. The disposition of any funds currently deposited in the account to be closed.
3. The AOC Manager of Fiscal Services will promptly review all trial court requests to close bank accounts and make a decision to accept or reject the court's request. The Administrative Director will issue a written notice of the acceptance or rejection of the trial court's request within 30 days. A copy of the written notification will also be provided to the Judicial Council and AOC Manager of Fiscal Services for filing and record purposes. The Administrative Director may request additional information or may confer with trial court officials prior to issuing a decision.
4. If the trial court does not demonstrate that it is competent to maintain bank accounts and control funds outside of the county treasury, the Judicial Council may order the court to close its bank accounts and conduct operations in a way that is satisfactory to the Judicial

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Council. Examples of unsatisfactory performance include the failure to reconcile bank accounts, repeated issuance of overdraft checks, inadequate implementation of internal controls, etc.

## **6.10 Record Retention**

1. Bank account records shall be retained according to the requirements established in Procedure FIN 12.01 Record Retention. Records that must be retained include, but are not limited to, bank statements, check registers, cancelled checks, and bank reconciliations.
2. Bank account records must be stored under locked control.

## **7.0 Associated Documents**